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Message Text

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73
ACTION EB-11

INFO OCT-01 EUR-25 IO-14 ISO-00 FEA-02 AGR-20 CEA-02

CIAE-00 COME-00 DODE-00 FRB-03 H-03 INR-11 INT-08

L-03 LAB-06 NSAE-00 NSC-07 PA-04 RSC-01 AID-20

CIEP-03 SS-20 STR-08 TAR-02 TRSE-00 USIA-15 PRS-01

SP-03 OMB-01 SWF-02 OIC-04 AF-10 ARA-16 EA-11 NEA-14

DRC-01 /252 W
---------- 029818
R 161625Z SEP 74
FM USMISSION GENEVA
TO SECSTATE WASHDC 8285
INFO AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMEMBASSY COPENHAGEN
AMEMBASSY DUBLIN
AMEMBASSY THE HAGUE
AMEMBASSY LONDON
AMEMBASSY LUXEMBOURG
AMEMBASSY PARIS
AMEMBASSY ROME
USMISSION EC BRUSSELS
USMISSION OECD PARIS

C O N F I D E N T I A L GENEVA 5863

E.O. 11652: GDS
TAGS: ETRD, IT, GATT
SUBJECT: GATT WP ON ITALIAN IMPORT DEPOSIT SCHEME

REF: STATE 198247

SUMMARY. ITALY DECLINED GIVE DATE FOR TERMINATION OF DEPOSITS. EC AND LDCS CONTINUED EFFORTS TO ENGINEER DISCRIMINATORY APPLICATION; U.S., CANADA, JAPAN OPPOSED. CONFIDENTIAL

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ITALY CONTINUED PROMISE NONDISCRIMINATION. WP IN GENERAL

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AGREED MEASURES WARRANTED TEMPORARILY BUT SOUGHT EARLY
RELAXATION. NO DETERMINATION OF GATT LEGALITY MADE.
END SUMMARY.

1. DURING SEPTEMBER 12-13 SESSION GATT WORKING
PARTY ON ITALIAN PRIOR IMPORT DEPOSIT SCHEME, IMF REP
(EMPHASIZING CONFIDENTIAL NATURE OF FUND RECOMMENDATION)
SAID IMPOSITION OF IMPORT DEPOSIT REQUIREMENT WARRANTED
ON TEMPORARY BASIS. IMF SAID ITALIAN GOVERNMENT HAS INFORMED
FUND OF INTENTION TO TERMINATE DEPOSIT REQUIREMENT BY
MARCH 31, 1975.

2. IN HEATED EXCHANGE JUST PRIOR TO SESSION, EC REP
(LUYTEN) INSISTED THAT FUND NOT MENTION TERMINATION DATE
BECAUSE WORD MIGHT LEAK TO PRESS. GENEVA IMF REP (JONES),
INDICATING IMPRECISE RECOLLECTION OF THE MATTER ALREADY
HAVING APPEARED IN SOME EUROPEAN NEWSPAPER, SAID HE TRUSTED
GATT CONFIDENTIALITY AND THEN INSISTED UPON USING DATE.

3. ITALIAN REP (FRACASSI) DECLINED ANY REFERENCE TO A
SPECIFIC TERMINAL DATE OR PERIOD AND SAID IT TOO EARLY
MAKE FORECASTS. FRACASSI SAID FIRST FEW MONTHS' EXPERIENCE
INDICATES IMPORTS NOT REDUCED BUT SAID REDUCTION OF
LIQUIDITY AND DOMESTIC DEMAND WERE PRIMARY GOAL. HE REFERRED TO
RECENT LIBERALIZATIONS OF REGIME AND REPEATED AIM NOT
APPLY MEASURES ON DISCRIMINATROY BASIS. FRACASSI SAID
GOVERNMENT OF ITALY INTENDS CONTINUE BROAD COORDINATED
EFFORTS TO CONTROL LIQUIDITY. HE SAID ITALY INTENDS
REMOVE DEPOSIT REQUIREMENT "AS SOON AS POSSIBLE."

4. EC SAID ELIMINATIONS OF DEPOSIT REQUIREMENT ANNOUNCED
JULY 22 WERE BASED ON CAP PRICE-SUPPORT CRITERIA; THAT
CAP PRODUCTS WHICH REQUIRED COMPENSATORY AMOUNTS HAD
BEEN CHOSEN FOR ELIMINATION. FOR TOTHER CAP PRODUCTS,
LUYTEN SAID, FLOATING RATE PLAYS ITS ROLE AND COMPENSA-
TORY AMOUNTS NOT USED. HE SAID EC HAS SCHEDULED MAJOR
REVIEW OF DEPOSIT SCHEME IN OCTOBER BUT "COULD NOT FORECAST
CONCLUSIONS."

5. U.S. (SPRUCE) CITED NEED FOR STRICT NONDISCRIMINATTORY
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APPLICATION OF ITALIAN DEPOSITS AND SAID THIS APPLIED TO
MODIFICATIONS AND PHASE-OUT AS WELL. U.S. SAID EC CRITERIA
MENTIONED ABOVE DID NOT CONFORM TO GATT REQUIREMENT OF
NONDISCRIMINATION. U.S. RECOGNIZED SERIOUSNESS OF
ITALIAN SITUATION, ASKED CONTINUED FLEXIBILITY IN
ADMINISTRATION OF CASES OF SPECIAL HARDSHIP, NOTED SIMILAR
BOP POSITIONS OF OTHER COUNTRIES AND CONCURRENT NEED FOR
EARLY ELIMINATION OF DEPOSITS IN ORDER LESSEN DANGER OF

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PROLIFERATION, ALONG LINES REFTEL. US NOTED SATISFACTION
THAT PROPOSALS FOR PREFERENTIAL MARGIN FOR EC EXPORTERS WERE
NOT ADOPTED.

6. CANADA, JAPAN, SWITZERLAND TOOK POSITIONS SIMILAR TO
U.S., EXCEPT THAT JAPAN UNSUCCESSFULLY ASKED DETERMINATION
OF GATT--ILLEGALITY. NO DISCUSSION ENSUED ON THIS POINT.
LDCS, LED BY INDIA, BRAZIL, ROMANIA
ASKED DISCRIMINATORY REMOVAL DEPOSITS FOR ALL LDC, BOTH BY
COUNTRY OF ORIGIN AND PRODUCT. NEW ZEALAND STRESSED NON-
DISCRIMINATION, THEN ASKED MUTTON BE EXEMPTED. YUGOSLAVIA
AND SWITZERLAND PRESSED FOR FIRM DEADLINE FOR REMOVAL.

7. ITALY SAID LDCS HAVE TRADE SURPLUS WITH ITALY AND
MOST AFFECTED LDC ON PAPER, BRAZIL, NOT INJURED IN FACT,
AS COFFEE IMPORTS INTO ITALY NOT REDUCED. ITALY SAID
HELPFUL ATMOSPHERE IN GROUP WILL AID IN LIBERALIZATION TASK
(NOTE: WP WAS UNANIMOUS IN ASKING TIMELY REMOVAL OF
DEPOSITS, BUT LDC MOOD WAS LESS ANTAGONISTIC THAN IN
JUNE SESSION).

8. WP CONCLUSION STATES "THERE WAS A WIDE MEASURE OF
SUPPORT FOR THE CONCLUSION THAT THE ITALIAN IMPORT
DEPOSIT SCHEME WAS NOT MORE RESTRICTIVE THAN MEASURES
PERMITTED BY PROVISIONS OF ARTICLE XII OF THE GATT."
CONCLUSION WOULD HAVE BEEN UNANIMOUS, EXCEPT THAT HUNGARIAN
REP, WHO WAS NOT PRESENT IN REGULAR SESSION W.P., REFUSED
GO ALONG DURING REPORT SESSION. W.P. WILL REPORT TO COUNCIL
BUT WILL KEEP MATTER UNDER REVIEW. DALE

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